

Exhibit 1



PRIVATE & CONFIDENTIAL

June 27, 2017

The Official Committee of Retired Employees of the Commonwealth of Puerto Rico

Re: *In re The Commonwealth of Puerto Rico, Case No. 17-BK-03283 (D.P.R.)*

Dear Members of the Retiree Committee:

1. Introduction

This letter confirms that we, FTI Consulting, Inc. ("FTI"),¹ have been retained by you, the Official Committee of Retired Employees of the Commonwealth of Puerto Rico (the "Retiree Committee" or "you"), to provide certain financial advisory and consulting services (the "Services") as set out below, effective as of June 27, 2017 (subject to court approval of the retention). This letter of engagement (the "Engagement") and the related Standard Terms and Conditions attached hereto collectively constitute the engagement contract (the "Engagement Contract") pursuant to which the Services will be provided. We understand that the Retiree Committee will seek court approval of the proposed retention of FTI and this Engagement Contract nunc pro tunc to June 27, 2017.

2. Scope of Services

The Services, to be performed at your direction, are expected to include the following:

- Assistance in the review and analysis of financial projections of the Commonwealth of Puerto Rico (the "Commonwealth") or relevant instrumentalities, including, but not limited to, the certified Fiscal Plan, cash flow projections, annual budgets, business plans, and any material proposed transactions;
- Assistance with the assessment and monitoring of the Commonwealth's short term cash flow, liquidity, and operating results;

¹ For purposes of this Engagement Contract, as discussed in greater detail in Section 5 below, FTI does not include Compass Lexecon LLC ("CL"), a subsidiary of FTI.

- Attendance at meetings and assistance in discussions with the Financial Oversight and Management Board for Puerto Rico (“FOMB”), the Commonwealth, potential investors, banks, other secured lenders, the official committee of unsecured creditors, and any other official committees organized in the Title III Cases,² other parties in interest and professionals hired by the same, as requested;
- Assistance in coordination with Segal Consulting in the evaluation of any proposed modifications to retirees’ benefits, including review and analysis of underlying assumptions, and any other relevant information utilized to support proposed modifications;
- Assistance in coordination with Segal Consulting in the assessment of the financial impact of any proposed modifications of the retirees’ benefits on the retired employees as well as the Commonwealth, and any resultant claims;
- Assistance in negotiating with the FOMB, the Commonwealth, and any other constituents regarding proposed modifications to and any matters that may affect retirees’ benefits and resultant claims;
- Assistance in the prosecution of the Retiree Committee responses/objections to the Commonwealth’s motions, including attendance at depositions and provision of declarations, expert reports and court testimony on case issues as required by the Retiree Committee;
- Assistance in the review and analysis of the Commonwealth’s exit strategy, including plan of adjustment, as appropriate;
- Assistance in the development and execution of communications strategies that educate key stakeholders on the issues to be addressed in the case, provide context around key milestones and Court decisions, and counter any misinformation that may be communicated by other parties in the case; and
- Render such other general business consulting or such other assistance as the Retiree Committee or its counsel may deem necessary and not duplicative of services provided by other professionals in this proceeding.

The Services may be performed by FTI or by any subsidiary of FTI, as FTI shall determine, other than CL. FTI may also provide Services through its or its subsidiaries’ agents or independent contractors; provided, however, this shall not include any Services through CL. References herein to FTI and its employees shall be deemed to apply also, unless the context shall otherwise indicate, to employees of each such subsidiary and to any such agents or independent contractors and their employees, in each case, other than CL.

The Services, as outlined above, are subject to change as mutually agreed between us.

As part of the Services, FTI may be requested to assist the Retiree Committee (and its legal or other advisors) in negotiating with the stakeholders in these Title III proceedings and with other

² As used herein, Title III Cases shall refer to the following cases filed pursuant to PROMESA, 48 U.S.C. §§ 2101 *et. seq.*, and listed as a bankruptcy case number due to software limitations: (i) the Commonwealth (Bankruptcy Case No. 17 BK 3283-LTS); (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3566-LTS); (iii) Puerto Rico Highways and Transportation Authority (Bankruptcy Case No. 17 BK 3567-LTS); and (iv) Puerto Rico Sales Tax Financing Corporation (Bankruptcy Case No. 17 BK 3284).

interested parties. In the event that we participate in such negotiations, the representations made and the positions advanced will be those of the Retiree Committee, not FTI or its employees.

3. Fees

Fees in connection with this Engagement will be based upon the time incurred providing the Services, multiplied by our standard hourly rates, summarized as follows: Senior Managing Directors (\$695 - \$1,170), Directors / Senior Directors / Managing Directors (\$530 – \$980), Consultants/Senior Consultants (\$310 - \$750) and Administrative / Paraprofessionals (\$120 - \$265). For reference, the hourly rate for both Steve Simms and Sean Gumbs who will be the leaders of this assignment is \$1,050.

Hourly rates are generally revised periodically. To the extent this engagement requires services of our International divisions or personnel, the time will be multiplied by our standard hourly rates applicable on International engagements. Note that we do not provide any assurance regarding the outcome of our work and our fees will not be contingent on the results of such work.

In addition to the fees outlined above, FTI will bill for out-of-pocket expenses which are incurred on your behalf during this Engagement. Further, if FTI and/or any of its employees are required to testify or provide evidence at or in connection with any judicial or administrative proceeding relating to this matter, FTI will be compensated by you at its regular hourly rates and reimbursed for reasonable allocated and direct expenses (including counsel fees) with respect thereto.

FTI will seek payment of our fees and expenses in the Title III Cases pursuant to any procedures established and required by the District Court and the U.S. Trustee.

4. Terms and Conditions

The attached Standard Terms and Conditions set forth the duties of each party with respect to the Services. Further, this letter and the Standard Terms and Conditions attached comprise the entire Engagement Contract for the provision of the Services to the exclusion of any other express or implied terms, whether expressed orally or in writing, including any conditions, warranties and representations, and shall supersede all previous proposals, letters of engagement, undertakings, agreements, understandings, correspondence and other communications, whether written or oral, regarding the Services.

5. Conflicts of Interest

FTI has compiled, with assistance from counsel of the Retiree Committee, an extensive list of potentially interested parties based on public pleadings (the “Potentially Interested Parties”). We have undertaken a limited review of our records to determine FTI’s professional relationships with these parties. From the results of such review, we were not made aware of any conflicts of interest or additional relationships that we believe would preclude us from performing the Services. FTI is conducting and will continue to conduct a review of its professional contacts with the Potentially Interested Parties and review its records to ascertain whether there are any conflicts of interest or additional relationships that we believe would preclude us from performing the Services. As we have informed you, prior to July 2015, FTI provided services to the Government of Puerto Rico, including the Government Development Bank, the Puerto Rico Highways and Transportation Authority, the Puerto Rico Electric Power Authority (“PREPA”)

and the Puerto Rico Aqueduct and Sewer Authority. FTI's Clinical Research and Compliance Practice has provided services with respect to unrelated issues to the University of Puerto Rico in a project completed by May 31, 2017 and FTI's Technology segment continues to provide unrelated data hosting and processing services to PREPA (the "FTI Tech Engagement").

In addition, as we have informed you (although not required), it is our understanding that CL, a subsidiary of FTI, previously provided, continues to provide, and may in the future be engaged to provide economic consulting services to the Government of Puerto Rico (as defined in PROMESA)(the "CL Economic Consulting Engagement"), including during the time that we are providing services to the Retiree Committee. CL is a separate legal entity from FTI, with separate information technology infrastructure. The CL employees, professionals, experts and staff (the "CL Professionals") currently rendering services to the Government of Puerto Rico reside in a stand-alone office separate from FTI and its employees, professionals, experts and staff (including those rendering services as part of the FTI Tech Engagement and FTI's engagement on behalf of the Retiree Committee (the "FTI Retiree Committee Engagement"), collectively, the "FTI Professionals").

In an abundance of caution (although not required), in order to maintain the confidentiality of the client information obtained in connection with the FTI Tech Engagement, the CL Economic Consulting Engagement and the FTI Retiree Committee Engagement, FTI will protect the client information through the use of its ethical wall and confidentiality agreement procedures as set forth below. In conjunction with the foregoing, FTI has established and will maintain the following internal procedures in which (i) each FTI Professional on the FTI Retiree Committee Engagement and each FTI Professional on the FTI Tech Engagement shall and (ii) each FTI Professional on the FTI Retiree Committee Engagement and on the FTI Tech Engagement and each CL Professional on the CL Economic Consulting Engagement shall, in each instance (i) and (ii) above, execute a letter (a "Confidentiality Letter") acknowledging that he or she may receive certain nonpublic information and shall execute an Ethical Wall Agreement acknowledging that he or she is aware of the information wall in effect and will follow the information wall procedures therein. No FTI Professionals participating in the FTI Tech Engagement will participate in the FTI Retiree Committee Engagement and no FTI Professionals participating in the FTI Retiree Committee Engagement will participate in the FTI Tech Engagement. No CL Professionals will participate in the FTI Retiree Committee Engagement or the FTI Tech Engagement and no FTI Professionals including those participating in the FTI Retiree Committee Engagement and the FTI Tech Engagement will participate in the CL Economic Consulting Engagement. The Retiree Committee agrees that FTI may continue to provide the services in the FTI Tech Engagement and that CL may continue to provide services or may undertake in the future to provide services to the Government of Puerto Rico.

6. **Indemnification**

The Retiree Committee shall seek court approval of FTI's standard indemnification provisions typically approved in when FTI retentions are approved by bankruptcy courts whereby: (i) the Commonwealth shall indemnify and hold harmless FTI and any of its subsidiaries and affiliates, officers, directors, principals, shareholders, agents, independent contractors and employees (other than CL, collectively "Indemnified Persons") from and against any and all claims, liabilities, damages, obligations, costs and expenses (including reasonable attorneys' fees and expenses and costs of investigation) arising out of or relating to your retention of FTI, the execution and delivery of this Engagement Contract, the provision of Services or other matters relating to or

arising from this Engagement Contract, except to the extent that any such claim, liability, obligation, damage, cost or expense shall have been determined by final non-appealable order of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Indemnified Person or Persons in respect of whom such liability is asserted (an "Adverse Determination"); (ii)the Commonwealth shall pay damages and expenses, including reasonable legal fees and disbursements of counsel as incurred in advance; and (iii) FTI agrees that it will reimburse any amounts paid in advance to the extent they relate directly to an Adverse Determination.

7. Acknowledgement and Acceptance

Please acknowledge Retiree Committee's acceptance of the terms of this Engagement Contract by signing both the confirmation below and the attached Standard Terms and Conditions and returning a copy of each to us at the above address. For the convenience of the Retiree Committee, we have provided a copy of this letter translated in Spanish. Please note however, that the English letter is the execution copy for signature by the Retiree Committee. In the event of any inconsistencies between the English and Spanish letter, the terms of the English letter are controlling.

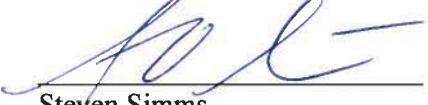
If you have any questions regarding this letter or the attached Standard Terms and Conditions, please do not hesitate to contact Steve Simms at (212) 841-9369 or Sean Gumbs at (212) 499-3633.

[SIGNATURE PAGES FOLLOW]

Yours faithfully,

FTI CONSULTING, INC.

By:


Steven Simms
Senior Managing Director

Attachment – As stated

Confirmation of Terms of Engagement

We agree to engage FTI Consulting, Inc. upon the terms set forth herein and in the attached Standard Terms and Conditions.

The Official Committee of Retired Employees of the Commonwealth of Puerto Rico

By: _____
Jose Marin Martinez
Chairperson

Date: _____

FTI CONSULTING, INC.

STANDARD TERMS AND CONDITIONS

The following are the Standard Terms and Conditions (the "Terms and Conditions") on which FTI will provide the Services to you set forth within the engagement letter with the Official Committee of Retired Employees of the Commonwealth of Puerto Rico, dated June 27, 2017 to which these Terms and Conditions are attached (the "Engagement Letter"). The Engagement Letter and these Terms and Conditions (collectively the "Engagement Contract") form the entire agreement between us relating to the Services and replace and supersede any previous proposals, letters of engagement, undertakings, agreements, understandings, correspondence and other communications, whether written or oral, regarding the Services. The headings and titles in the Engagement Contract are included to make it easier to read but do not form part of the Engagement Contract. Defined terms used and not otherwise defined herein shall have the meaning set forth in the Engagement Letter.

1. Reports and Advice

1.1 **Use and purpose of advice and reports** - Any advice given or report issued by us is provided solely for the use and benefit of you and only in connection with the purpose in respect of which the Services are provided. Unless required by law, or as otherwise provided in Clause 4.3 of the Terms and Conditions, you shall not provide any advice given or report issued by us to any third party or refer to us or the Services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which any advice or report is disclosed or otherwise made available.

2. Information and Assistance

2.1 **No assurance on financial data** - While our work may include an analysis of financial and accounting data, the Services will not include an audit, compilation or review of any kind of any financial statements or components thereof. Company management will be responsible for any and all financial information they provide us during the course of the Engagement, and we will not examine or compile or verify any such financial information. Moreover, the circumstances of the Engagement may cause our advice to be limited in certain respects based upon, among other matters, the extent of sufficient and available data and the opportunity for supporting investigations in the time period. Accordingly, as part of the Engagement, we will not express any opinion or other form of assurance on financial statements of the Commonwealth.

2.2 **Prospective financial information** - In the event the Services involve prospective financial information, our work will not constitute an examination or compilation, or apply agreed-upon procedures, in accordance with standards established by the American Institute of Certified Public Accountants, or otherwise, and we will express no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We will take no responsibility for the achievability of results or events projected or anticipated by the Commonwealth.

3. Additional Services

3.1 **Responsibility for other parties** - You shall be solely responsible for the work and fees of any other party engaged by you to provide services in connection with the Engagement regardless of whether such party was introduced to you by us. Except as provided in this Engagement Contract, we shall not be responsible for providing or reviewing the advice or services of any such third party, including advice as to legal, regulatory, accounting or taxation matters. Further, we acknowledge that we are not authorized under our Engagement

Contract to engage any third party to provide services or advice to you, other than our agents or independent contractors engaged to provide Services, without your written authorization.

4. Confidentiality

4.1 **Restrictions on confidential information** – Both parties (you on the one hand and FTI on the other hand) agree that any confidential information received from the other party shall only be used for the purposes of providing or receiving Services under this or any other contract between us. Except as provided below, neither party to this Engagement Contract will disclose the other party's confidential information to any third party without the other party's consent. Confidential information shall not include information that:

- 4.1.1 is or becomes generally available to the public other than as a result of a breach of an obligation under this Clause 4.1;
- 4.1.2 is acquired from a third party who, to the recipient party's knowledge, owes no obligation of confidence in respect of the information; or
- 4.1.3 is or has been independently developed by the recipient.

4.2 **Disclosing confidential information** - Notwithstanding Clause 4.1 above, either party to this Engagement Contract will be entitled to disclose confidential information of the other to a third party to the extent that this is required by valid legal process, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than 2 business days' notice in writing is first given to the other party.

4.3 **Disclosing confidential information to the Retiree Committee** - Notwithstanding Clause 1.1 or 4.1 above, any party to this Engagement Contract will be entitled to disclose FTI's advice and written reports to other members of the Retiree Committee and their financial and legal advisors, so long as such members are restricted from distributing such information outside the Retiree Committee without the prior written consent of the parties to this Engagement Contract.

4.4 **Internal quality reviews** – Notwithstanding the above, we may disclose any information referred to in this Clause 4 to any other FTI entity or use it for internal quality reviews.

4.5 **Citation of engagement** - Without prejudice to Clause 4.1 and Clause 4.2 above, to the extent our engagement is or becomes known to the public, we may cite the performance of the Services to our clients and prospective clients as an indication of our experience, unless we and you specifically agree otherwise in writing.

4.6 **Maintenance of workpapers** - Notwithstanding the above, we may keep one archival set of our working papers from the Engagement, including working papers containing or reflecting confidential information, in accordance with our professional standards and internal policies.

5. Termination

5.1 **Termination of Engagement with notice** – Either party to this Engagement Contract may terminate the Engagement Contract for whatever reason upon written notice to the other party. Upon receipt of such notice, we will stop all work immediately. Regardless of the terminating party, all fees and expenses incurred by us through the date the termination notice is received will continue to be payable as provided in Clause 4 of the Engagement letter.

5.2 **Continuation of terms** - The terms of the Engagement that by their context are intended to be performed after termination or expiration of this Engagement Contract, including but not limited to, Clauses 3 and 4 of the Engagement letter, and Clauses 1.1, 4, 6 and 7 of the Term and Conditions, are intended to survive such termination or expiration and shall continue to bind all parties.

6. Liability Limitation and Waiver of Jury Trial

6.1 **Indemnification** - The Retiree Committee shall seek court approval of FTI's standard indemnification provisions typically approved in when FTI retentions are approved by bankruptcy courts whereby: (i) the Commonwealth shall indemnify and hold harmless FTI and any of its subsidiaries and affiliates, officers, directors, principals, shareholders, agents, independent contractors and employees (collectively "Indemnified Persons") from and against any and all claims, liabilities, damages, obligations, costs and expenses (including reasonable attorneys' fees and expenses and costs of investigation) arising out of or relating to your retention of FTI, the execution and delivery of this Engagement Contract, the provision of Services or other matters relating to or arising from this Engagement Contract, except to the extent that any such claim, liability, obligation, damage, cost or expense shall have been determined by final non-appealable order of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Indemnified Person or Persons in respect of whom such liability is asserted (an "Adverse Determination"); (ii) the Commonwealth shall pay damages and expenses, including reasonable legal fees and disbursements of counsel as incurred in advance; and (iii) FTI agrees that it will reimburse any amounts paid in advance to the extent they relate directly to an Adverse Determination.

6.2 **Limitation of liability** - Except to the extent finally determined by a court of competent jurisdiction to have resulted from its own willful misconduct, gross negligence or fraudulent behavior, neither FTI, nor any of its subsidiaries, affiliates, officers, directors, principals, shareholders, agents, independent contractors or employees, shall be liable to you or any other party as a result of your retention of FTI, the execution and delivery of this Engagement Contract, the provision of Services or other matters relating to or arising from this Engagement Contract, whether a claim be in tort, contract or otherwise:

- 6.2.1 For any amount in excess of the total professional fees paid to FTI under the Engagement Contract; or
- 6.2.2 For any consequential, indirect, lost profit or similar damages relating to FTI's Services provided under this Engagement.

6.2 **WAIVER OF JURY TRIAL –TO FACILITATE JUDICIAL RESOLUTION AND SAVE TIME AND EXPENSE, YOU AND FTI IRREVOCABLY AND UNCONDITIONALLY AGREE NOT TO DEMAND A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE SERVICES OR ANY SUCH OTHER MATTER.**

7. **Governing Law and Jurisdiction** – The Engagement Contract shall be governed by and interpreted in accordance with the laws of the State of New York, without giving effect to the choice of law provisions thereof. The United States District Court for the Southern District of New York and the appropriate Courts of the State of New York sitting in the Borough of Manhattan, City of New York shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the Engagement Contract and any matter arising from it. The parties submit to the jurisdiction of such Courts and irrevocably waive any right they may have to object to any action being brought in these Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

FTI CONSULTING, INC.

[Signature/Confirmation Page Follows]

Confirmation of Standard Terms and Conditions

We agree to engage FTI Consulting, Inc. upon the terms set forth in these Standard Terms and Conditions as outlined above.

The Official Committee of Retired Employees of the Commonwealth of Puerto Rico

By: _____

Jose Marin Martinez
Chairperson

Date: _____